THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

1990 ANNUAL REPORT

91-06322/

On May 27, 1990, His Excellency The Right Honourable Ramon J. Hnatyshyn, P.C., C.C., C.M.M., C.D., Q.C. Governor General of Canada officially opened Ottawa-Carleton Centre.

The 1990 Annual Report has been printed on recycled paper.

TABLE OF CONTENTS

1990 Regional Council Members 2
Chairman's Message 3
Department and Commission Heads 6
Chief Administrative Officer's Message 7

Financial Review
Finance Commissioner's Message 11
Year-End Position 12
Auditors' Report 16
Consolidated Balance Sheet 17
Consolidated Statement of Operations 18
Consolidated Statement of Reserves and Reserve Funds 20
Notes to Consolidated Financial Statements 21
Homes for the Aged Trust Funds
- Auditors' Report 30
- Statement of Continuity 31
- Balance Sheet 31
- Note to Financial Statements 31

Five-Year Review 32

1990 Regional Council Members

HARRY ALLEN
City of Gloucester
Executive Committee Member

ALBERT BOUWERS
Township of Osgoode
Executive Committee Member

JIM DURRELL
City of Ottawa
Executive Committee Member

JAMIE FISHER
City of Ottawa
Executive Committee Member

BEN FRANKLIN
City of Nepean
Executive Committee Member

JACQUELIN HOLZMAN
City of Ottawa
Executive Committee Member

DARREL KENT
City of Ottawa
Executive Committee Member

ANTON WYTENBURG
Township of Goulbourn
Executive Committee Member

DES ADAM
City of Kanata

GLENN BROOKS
Township of Rideau

GEORGE BROWN
City of Ottawa

EDWARD CAMPBELL
City of Gloucester

BRIAN COBURN
Township of Cumberland

GUY COUSINEAU
City of Vanier

ERIC CRAIG
Twp. of West Carleton

FIONA FAUCHER
City of Gloucester

DIANE HOLMES
City of Ottawa

GORD HUNTER
City of Nepean

MICHAEL JAMGAN
City of Ottawa

JAMES JONES
City of Ottawa

TIM KEHOE
City of Ottawa

GEORGE KELLY
City of Ottawa

GRÈLE LALONDE
City of Vanier

MARC LAVOLETTE
City of Ottawa

AL LONEY
City of Nepean

MARK MALONEY
City of Ottawa

MICHAEL McSWEENEY
City of Ottawa

PATRICK MURRAY
Vill. of Rockcliffe Pk.

JOAN O'NEILL
City of Ottawa

FRANK REID
City of Nepean

NANCY SMITH
City of Ottawa

LYNN SMYTH
City of Ottawa

TOWARDS THE 21ST CENTURY: CHALLENGES AND OPPORTUNITIES

A review of the previous decade portrays a Regional Council successfully financially positioning itself to face the challenges of the '90s.

The strength of that financial foundation is unique and unsurpassed by the strongest of other municipalities in North America and indeed the world.

Tough decisions with respect to "pay-as-you-go" and "user-pay", albeit unpopular at the time have resulted in an exceptionally unyielding financial base in order to face the anticipated transitions ahead.

Andrew S. Haydon
Chairman

The results of those past policies have resulted in the tax levies in Ottawa-Carleton being almost 2% less than the average of other Regions in Ontario in each of the past three years.

It is clear that the investment made over the last decade is resulting in a most favourable "return on investment". This business-like approach (in lieu of a political approach) to municipal government will guarantee the esteemed AAA financial rating in the future.

That there are grave financial clouds on the horizon — there is no doubt. The recession, which will last throughout 1992 and the concomitant swelling of the social services costs will stretch and challenge our ability to respond with stable taxation levels.

If there is no tax reform in Ontario, the future will be bleak, however it is this same challenge that identifies the opportunities before us.

Municipalities of the size of Ottawa-Carleton, the fourth largest metropolitan area in Canada, are in reality City States and must have a full range of taxing authority to specify dedicated taxes to the equitable benefit of the ratepayer.

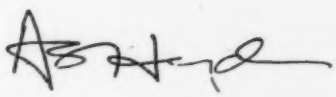
It is urgent and mandatory that "disentanglement" take place so that overlapping and duplication in the provision of services between the municipalities and the Province of Ontario be eliminated.

Throughout all of the anticipated turmoil in Canada, as we wend our way to the 21st Century, Ottawa-Carleton will prevail above all others by virtue of our strategic plan (developed a decade ago) to build on our strengths, protect the environment and to provide compassionate care for our underprivileged in a fiscally responsible manner.

Those strengths have not changed and are today more germane than ever. They are: tourism, high technology, mobility through mass transit, far sighted land use planning and our unique quality of life.

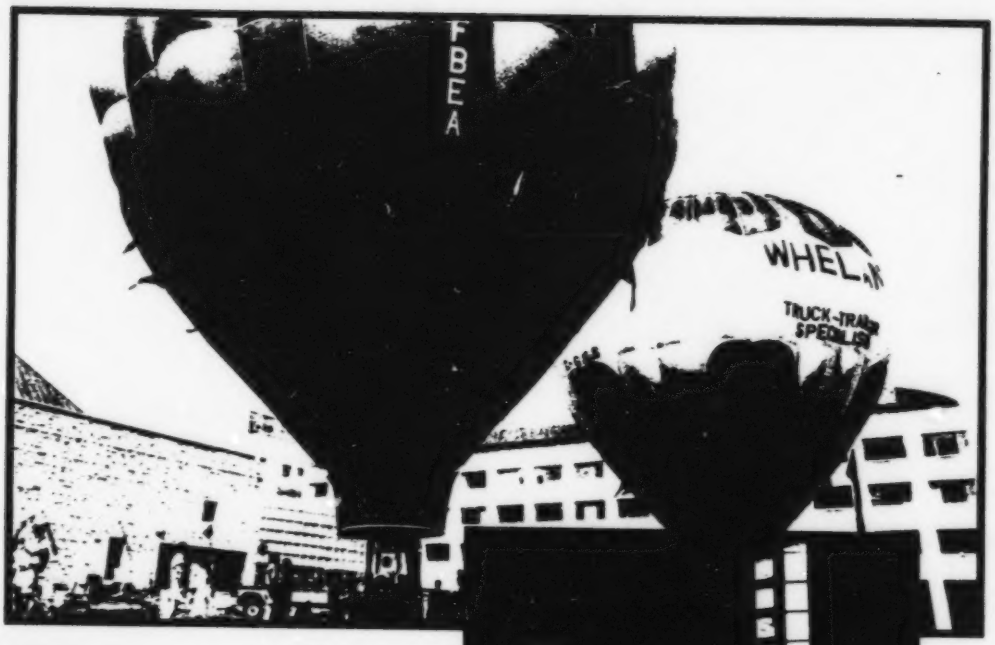
It is mandatory and critical that we stray not from this proven formula for success. Our economic future depends on it.

Be not seduced by those who propose quick and easy solutions to complex problems. There is always an easy solution to every human problem - neat, plausible and wrong.



Andy Haydon,

Chairman.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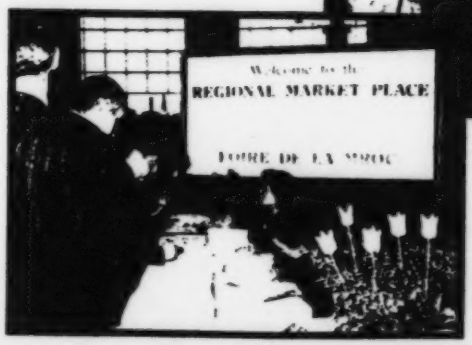
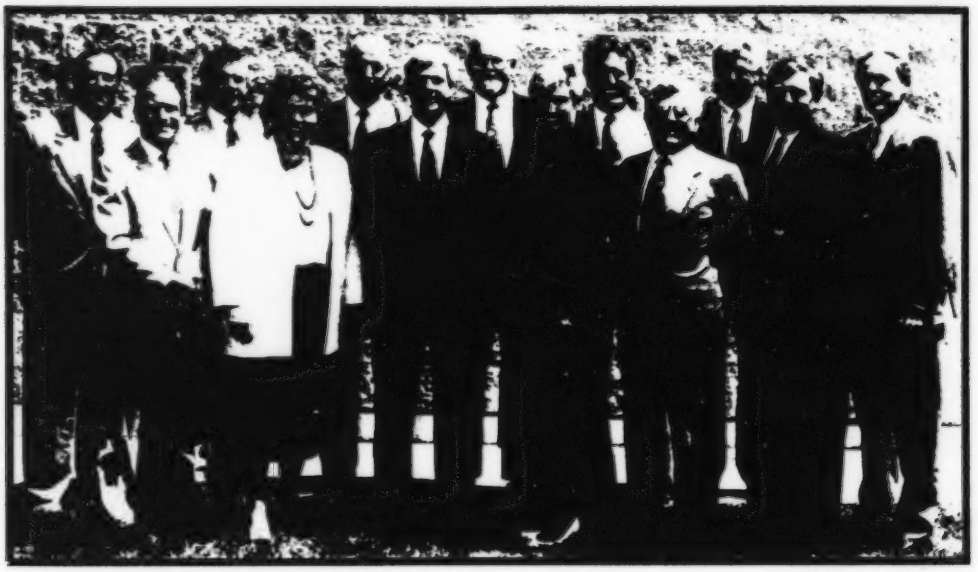

REGIONAL MARKET PLACE

Department and Commission Heads



From left to right: **J. C. LeBelle**, Finance Commissioner & Treasurer
Dr. S. J. Corber, Medical Officer of Health
G. J. Armstrong, Homes for the Aged Commissioner
G. Brown, Regional Clerk
J. D. Cameron, Regional Solicitor
R. F. Palmer, Regional Internal Auditor
M. J. E. Sheflin, Transportation Commissioner
J. Potter, Human Resources Commissioner
R. Denham, Environmental Services Commissioner
A. J. Pope, Social Services Commissioner
B. Eastwood, Director of Property Services
R. J. Anderson, Corporate Affairs Commissioner
R. S. Clark, Chief Administrative Officer

Absent From Photo: **N. Tunnacliffe**, Planning Commissioner
J. A. Bonsall, General Manager OC Transpo

DEDICATED TO QUALITY SERVICE

We live in one of the most dynamic, progressive and fastest growing metropolitan areas in Canada and are fortunate to enjoy a unique quality of life. The Regional Municipality of Ottawa-Carleton is dedicated to providing the citizens of our community with the highest level of service to sustain our quality of life. As Chief Administrative Officer this has been a major organizational goal and, in 1990, the Corporation directed its energy and focus in pursuit of this objective. As our Mission Statement attests, we are an organization dedicated to quality service, delivered with care, competence and integrity.

Ronald S. Clark
Chief Administrative Officer

The year 1990 has proven to be a challenging year, as the economy, both nationally and locally, laboured through a significant downturn. In response to this economic uncertainty, numerous firms have implemented significant cost reduction measures. The Corporation has pursued the following strategic vision to position itself to weather this economic turbulence.

RESPONSIBLE FINANCIAL PLANNING

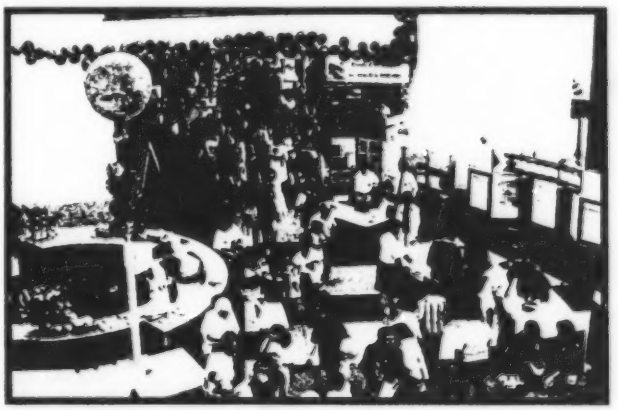
We continue to strive for the confidence of both taxpayers and the investment community through sound fiscal policies, practices and long-range financial planning. Many factors are taken into account to determine the expenditure levels required to provide quality and cost-effective programs to our residents. The "Pay-as-you-go" and "user-pay" principles continue to be two key budgetary elements of our long-term fiscal program. As well, cost containment and innovative solutions were an essential element in the preparation of the 1990 Budget.

MANAGEMENT OF THE ENVIRONMENT

This decade has brought with it significant public expectations regarding the protection of the environment and the management of our infrastructure to sustain growth. Ottawa-Carleton's goal is to manage this growth and development in a manner that is sensitive to the social, economic, and physical environment. Specifically, in 1990, the Region initiated recycling programs for telephone directories, Christmas trees, and fine paper at Regional facilities, and banned corrugated cardboard at landfill disposal sites. In 1990 the Region also unveiled detailed plans for the ninth and last section of the 31 kilometre Transitway System and generally continued to encourage and promote the use of public transit.

CARING FOR OUR PEOPLE

The employees of this Corporation hold the key to achieving quality service. Our service strategy is customer-oriented and empowers our employees to take greater responsibility and initiative to make decisions benefiting the citizens of Ottawa-Carleton. Meeting and exceeding the expectation of our consumers is a demonstration of the Region's dedication to service. This goal requires the fostering of a corporate environment which encourages excellence and achievement.

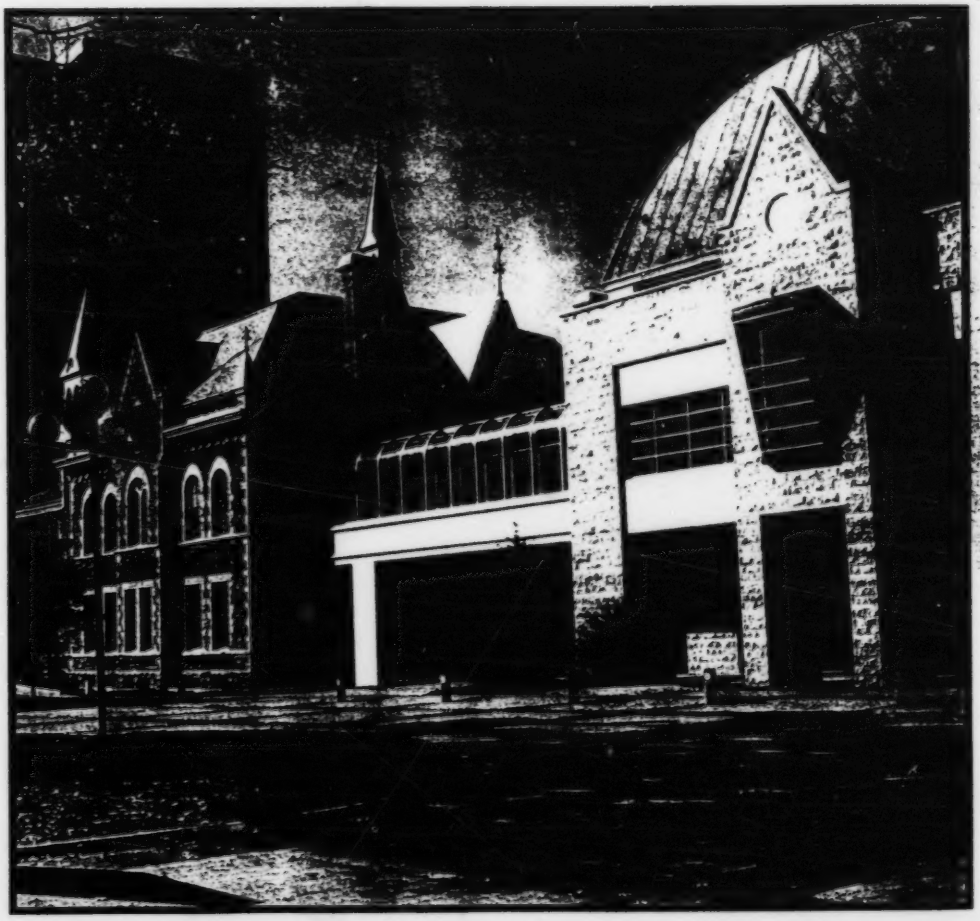


As I have stated in the past, the Regional Municipality of Ottawa-Carleton will continue to be characterized by tremendous opportunity but at the same time significant challenge. As an organization we will succeed if the citizens of Ottawa-Carleton believe we are doing our best to provide quality service while maintaining responsible management of resources.

R. S. Clark

Ronald S. Clark

Chief Administrative Officer



FINANCE COMMISSIONER'S MESSAGE

I am pleased to present the 1990 Financial Report that details the financial results for the year and highlights the excellent financial position of the Region. These statements clearly point out the strength of the Region's financial position despite the pressures of coping with one of the highest growth rates in Canada and the resultant demands of services and structures. The Region has accomplished this feat and at the same time reduced reliance on debt financing. Many difficult financing decisions by Regional Council over the years, such as the introduction of development charges to pay for new infrastructure, now place the Region in this sound position in spite of having the largest spending program in the history of the Region.

As proof of this strength, the Region has been confirmed as a Triple A credit by both of North America's most highly recognized credit-rating agencies, a feat accomplished by only a handful of municipalities.

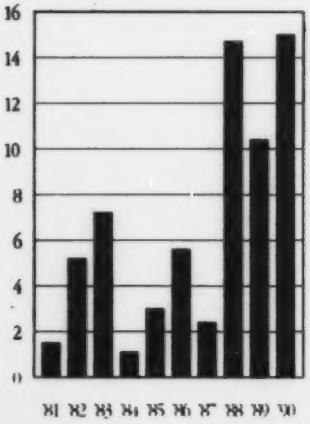
Our auditors, Ernst & Young, have audited the financial statements in the subsequent pages of the report.

I would like to take this opportunity to acknowledge the people who serve the residents of Ottawa-Carleton. Their dedication and ability to adapt and respond to changes make Ottawa-Carleton a great place in which to live and work.

J. C. LeBelle

Finance Commissioner

SURPLUS
1981-1990
(million $)



YEAR-END POSITION

Although the Financial Statements indicate a break-even operating situation, actual 1990 operating results recorded a $15 million surplus.

Regional Council has adopted a policy whereby any operating surplus is contributed to capital reserve funds to augment the Region's pay-as-you-go program.

Since 1981, these supplementary contributions have resulted in a cumulative reduction in future borrowing requirements of $68 million.

While the source of surplus may vary from year to year, the strong surplus situation is a clear indication of the solid financial position of the Region.

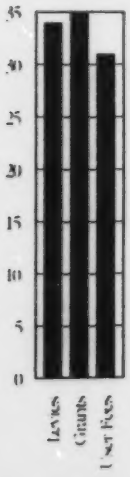
While in retrospect, this decision proved to be a prudent course of action, it resulted in lower expenditures for debt financing and other financial costs.

OPERATING REVENUES AND EXPENDITURES

Revenue to fund the various Regional services and programs is received in the form of:

- government unconditional grants and direct subsidies for health and social services, road and bridge maintenance and transit operating costs;
- user-fee revenue generated by water and sewer surcharge rates, tipping fees, transit fares and resident fees charged at the Homes for the Aged;
- property taxes.

OPERATING RESULTS
1990
Revenues (%)



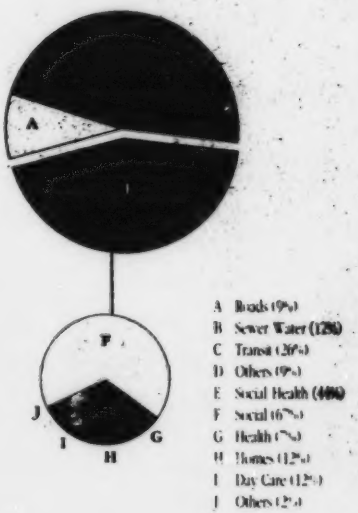
Over the last five years, property taxes, as a percent of total revenue, have remained relatively stable. A major concern for future years, however, will be the impact of provincial decisions and policies on the local tax base. The provincial practice of capping subsidies on cost-shared programs in the social and health service areas, together with the continued uncertainty regarding unconditional grants may result in a need to re-evaluate programs and service levels in order to offset the additional pressures that will be exerted on the tax levy. On a positive note, the Provincial government has recently shown signs of willingness to

disentangle some of these programs which would ultimately lead to greater accountability for both parties.

Expenditures over the last several years on health and social programs have escalated at a rate in excess of other Regional programs and now represent 44% of operating expenditures as compared to 37% in 1986. Some major reasons contributing to this situation include:

- caseload growth and welfare rate increases within the social assistance programs;
- increased demand for day care spaces and services;
- increased health care needs of elderly residents in the Region's Homes for the Aged.

OPERATING RESULTS
1990 Expenditures



CAPITAL PROGRAM

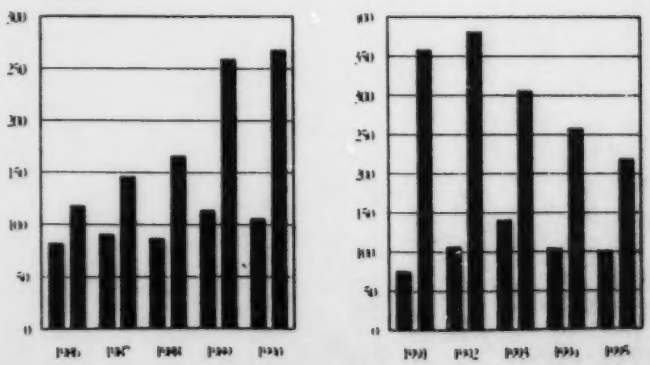
Ottawa-Carleton continues to grow at a rapid pace; associated with that growth is increased demand for the supporting infrastructure — roads, bridges, sewers, water mains, transit systems and health care facilities.

As illustrated in the five-year review section, transportation-related projects have in the past, constituted the major portion of the Region's capital program.

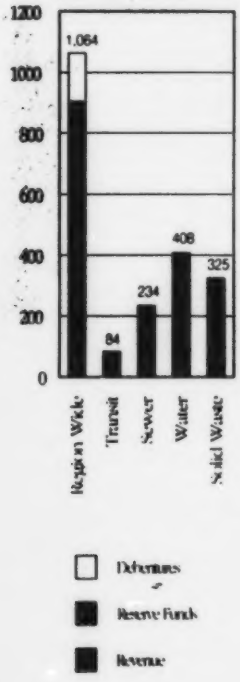
While the Region will continue to expand its transportation system to meet needs of an ever-growing mobile population, it is also faced with major renovations and rehabilitation of the sewage collection and treatment system. Work on expanding the Robert O. Pickard Environmental Centre, which is the largest public works project in Canada, is in progress and is expected to be completed by 1993. In 1990 over $100 million was spent on this project. When completed, the Centre will provide a processing capacity for growth for the next several decades and provide the most modern treatment capabilities available.

Construction of the new Ottawa-Carleton Centre, which provides the administrative home for the Region, was completed in May of 1990.

CAPITAL SPENDING PROGRAM
(millions $)



CAPITAL FORECAST RESULTS
Authority/Financing 1991-2000
(thousands $)



CAPITAL FINANCING

The demands for infrastructure outlined previously continue to place pressure on the financial resources of the Region.

Over the last 10 years, Ottawa-Carleton has taken a number of steps to ensure a responsible funding base to finance its future.

- Regional Development Charges (R.D.C.) were introduced in 1985 to recover a portion of the cost directly associated with providing services to new housing developments.
- Pay-as-you-go and user-pay approaches to finance capital programs have reduced the need to issue debt to finance capital projects.

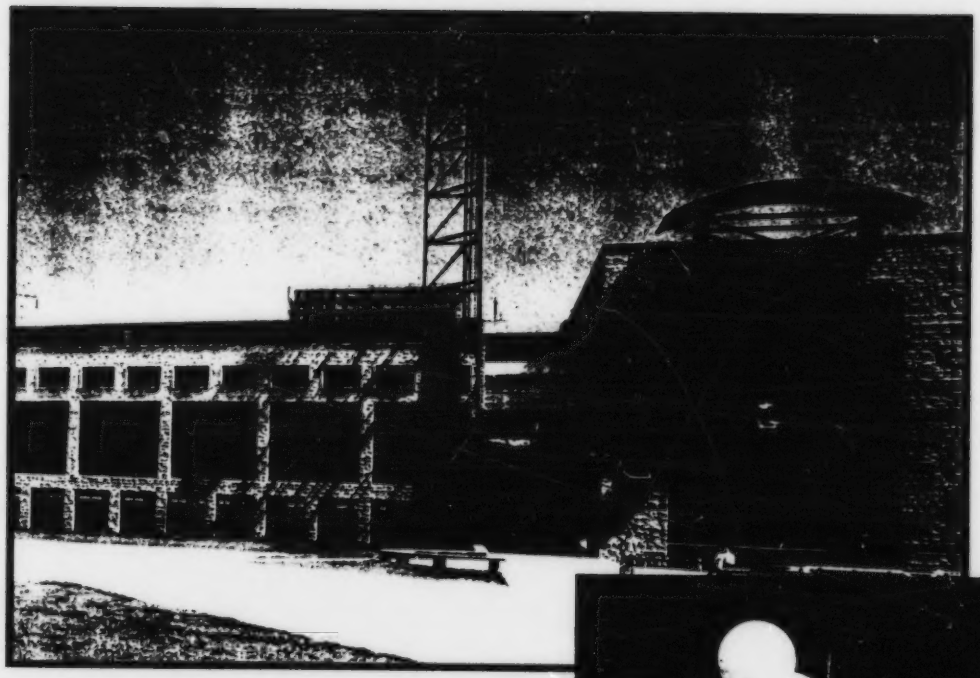
These initiatives and sound financial management have allowed the Region to maintain a relatively stable position regarding its year-end debt position over the last five years, despite capital spending of $957 million in the period. The financial integrity and health of Ottawa-Carleton is recognized throughout the international investment community through the Region's Triple A credit rating.

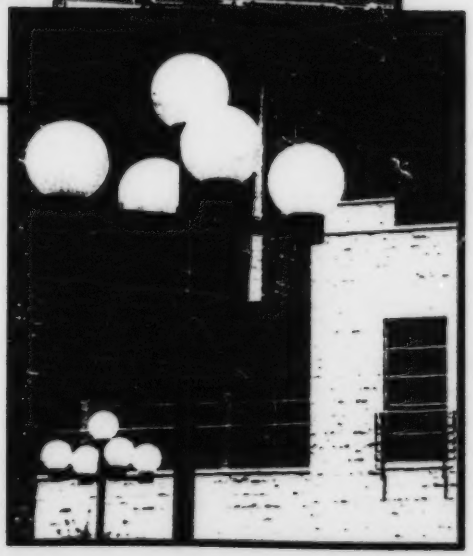
Financing of the Region's 10-year capital program is presented in the accompanying graph. The implementation of the policies discussed earlier has resulted in the Water and Transit systems being totally pay-as-you-go. In fact, examining financing of the future capital program, the Region will be able to fund a greater portion of requirements from reserves than from issuance of new debt.

RESERVES AND RESERVE FUNDS

Reserves and Reserve Funds have grown from $97.7 million five years ago to over $239 million at the end of 1990, with over $68 million committed to finance capital projects already under construction. The remaining balance is held for purposes such as growth-related capital projects, equipment replacement, foreign exchange costs on US$ denominated debentures, and vested sick and annual leave liabilities.

Until actual spending occurs, these funds represent an important source of short term borrowing for the Region in meeting day-to-day operating cash requirements.





AUDITORS' REPORT

ERNST & YOUNG

To the Chairman and Members of
The Regional Municipality of Ottawa-Carleton

We have audited the consolidated balance sheet of The Regional Municipality of Ottawa-Carleton as at December 31, 1990 and the consolidated statements of operations and reserves and reserve funds for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Regional Municipality of Ottawa-Carleton as at December 31, 1990 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements.

Ernst & Young

Ottawa, Canada,
April 19, 1991.

Chartered Accountants

Consolidated Balance Sheet

	December 31, 1990 (in thousands)	
	1990	[illegible]
	$	[illegible]
Assets		
Unrestricted		
User charges receivable	16,836	[illegible]
Accounts receivable – Ontario	91,145	[illegible]
– Other	8,562	[illegible]
Inventories	10,186	[illegible]
Deferred charges	18,730	[illegible]
	145,459	[illegible]
Restricted		
Investments (note 2)	82,005	106,942
Loans receivable	150,380	71,825
	232,385	178,767
Capital outlay financed by long term debt and to be recovered in future years	204,488	226,728
Total Assets	582,332	514,478
Liabilities and Fund Balances		
Liabilities		
Temporary loans	12,072	4,613
Accounts payable	81,277	72,139
Loans from reserve funds	150,380	71,825
Other liabilities	1,275	1,721
	245,004	150,298
Net long term debt (note 5)	204,488	226,728
	449,492	377,026
Fund Balances		
Reserves	7,087	6,751
Reserve Funds	232,385	178,767
Capital operations not yet permanently financed (note 7a)	(106,632)	(48,066)
	132,840	137,452
Total Liabilities and Fund Balances	582,332	514,478

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Operations

Year ended December 31, 1990
(in thousands)

	1990	1989
	$	$
		(note 13)
Sources of Financing		
Levy and User Charges		
Requisition on area municipalities	242,007	214,968
Transit fares	73,080	68,261
Sewer surcharge	51,671	38,025
Sale of water	49,325	46,540
Garbage disposal fees	18,227	7,483
Homes for the Aged resident fees	7,092	6,406
Day care fees	1,433	1,213
Other	6,837	6,786
	449,672	389,682
Contributions from Other Governments		
Ontario	342,547	286,664
Other municipalities	4,019	2,518
Canada	652	693
	347,218	289,875
Other		
Investment income	28,400	19,195
Development charges	13,120	7,811
Miscellaneous	6,781	4,642
	48,301	31,648
Proceeds from the Issue of Long Term Debt	4,433	50,000
	849,624	761,205
Reserves and Reserve Funds at beginning of year	185,518	158,139
	1,035,142	919,344

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Operations

Year ended December 31, 1990
(in thousands)

	1990	1989
	$	$
		(note 13)
Expenditure		
Current Operations		
Social services	**174,756**	126,249
Transit	**149,822**	133,466
Roads and traffic	**54,792**	49,908
Waterworks system	**44,235**	39,239
General government	**35,254**	28,069
Homes for the Aged	**30,559**	25,571
Day care	**30,191**	26,146
Sewer system	**28,766**	20,942
Health services	**17,664**	17,545
Planning and development	**7,708**	8,381
Children's Aid Society	**5,535**	5,000
Other	**7,288**	7,256
	586,570	487,772
Capital Operations		
Capital operations not yet permanently financed at beginning of year	**48,066**	35,131
Sewer system	**105,700**	64,636
Roads and Traffic	**54,781**	47,535
Transit	**51,710**	66,617
Waterworks system	**31,474**	31,352
General government	**17,773**	29,901
Garbage disposal	**5,581**	2,346
Other	**647**	16,602
	315,732	294,120
Total Expenditure	**902,302**	781,892
Balances at end of year		
Reserves and reserve funds	**239,472**	185,518
Capital operations not yet permanently financed	**(106,632)**	(48,066)
	132,840	137,452
	1,035,142	919,344

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 1990
(in thousands)

	1990 $	1989 $
		(note 13)
Balance at beginning of year	**185,518**	158,139
Revenue		
Contributions from current operations	**126,301**	111,386
Investment income	**28,384**	19,180
Development charges	**13,120**	7,811
Other	**955**	81
Total Revenue	**168,760**	138,458
Expenditure		
Transfers to capital operations	**109,720**	107,813
Transfers to current operations	**5,086**	3,266
Total Expenditure	**114,806**	111,079
Balance at end of year	**239,472**	185,518
Analyzed as follows:		
Reserves		
Deferred costs	**3,160**	3,017
Working capital	**2,305**	2,305
General	**1,100**	1,100
Inventory	**484**	329
Capital expenditures	**38**	
	7,087	6,751
Reserve Funds		
Capital expenditures	**149,246**	107,852
Development charges	**25,470**	24,231
Levy and rate stabilization	**22,723**	13,474
Equipment replacement	**13,340**	11,839
Debenture currency exchange	**7,476**	7,849
Vested employee benefits	**7,356**	7,808
Self insurance	**3,504**	2,827
Winter control	**3,270**	2,887
	232,385	178,767
Balance at end of year	**239,472**	185,518

(See accompanying notes to consolidated financial statements.)

December 31, 1990

NOTE 1. ACCOUNTING POLICIES

These consolidated financial statements of The Regional Municipality of Ottawa-Carleton (the "Region") are the representation of management and are prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves estimates which have been made using careful judgement.

a. Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the current fund, capital fund, reserves and reserve funds, and include the activities of all committees of Council and the Ottawa-Carleton Regional Transit Commission ("O.C. Transpo").

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Region and the resulting interest income and expenditures.

The Homes for the Aged Trust Funds are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet". There are no other non-consolidated entities.

b. Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term debt and vested leave benefits which may be paid on termination both of which are charged against operations in the years in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) The historical cost and accumulated depreciation of fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iii) Capital outlay, which represents the outstanding principal portion of unmatured long term debt for municipal expenditures or capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

(iv) Assets and liabilities expressed in a foreign currency are translated into Canadian dollars at the rate of exchange at the balance sheet date.

(v) Reserves are allocations out of current operations which are retained for general or specific purposes. Reserve Funds which usually require allocations out of current operations are supported by designated assets, usually cash and investments, set aside by By-law for some specific future use.

(vi) Inventories of materials and finished goods are reflected at cost on the basis of average invoice price plus direct labour and overhead where applicable.

(vii) Debenture issue commissions and expenses as well as underwriting premiums are reflected in the Consolidated Statement of Operations in the year in which the debentures are issued. Underwriting discounts are reflected in the following year in accordance with section 187(3) of the Municipal Act.

(viii) Investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective annual yield, as determined at the date of purchase, with the amount of such amortization included in investment income.

(ix) O.C. Transpo has a defined benefit pension plan and uses an accrued benefit actuarial method and best estimate assumptions to value pension obligations. Adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups. Current service costs are expensed in the period.

NOTE 2. INVESTMENTS

Restricted investments are comprised of (in thousands):

	Amortized Cost	Par Value	Market Value
Regional debentures	$18,652	$18,830	$18,853
Other investments	62,596	63,385	63,201
	81,248	82,215	82,054
Accrued interest	757	757	757
	$82,005	$82,972	$82,811

NOTE 3. PENSIONS

a. The Region provides pension benefits for its employees and members of Regional Council through the Ontario Municipal Employees' Retirement System (OMERS), as well as the City of Ottawa Superannuation Fund (COSF) for certain employees formerly with the City of Ottawa. These plans are defined benefit plans which specify the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

Actuarial evaluations of the OMERS and COSF plans were made on January 1, 1989, and December 31, 1989, respectively and no experience deficiency existed in either plan.

The Region's share of the annual contribution to these pension plans is charged to expenditures in the year in which the contribution is made.

b. O.C. Transpo maintains a defined benefit plan which provides eligible employees with pensions based on length of service and final average earnings. The present value of accrued pension benefits as at December 31, 1990 was $108,451,000 ($93,539,000 in 1989). The net assets of the pension plan as at December 31, 1990, at market value, were approximately $100,670,000 ($93,376,000 in 1989).

NOTE 4. LIABILITY FOR VESTED EMPLOYEE BENEFITS

The Region's liability with respect to employees' accumulated sick leave and annual leave days, to the extent that they are vested and could be taken in cash by an employee on termination, amounted to approximately $16,263,000 as at December 31, 1990 ($13,571,000 in 1989).

The Region has a Reserve Fund for vested employee benefits which at December 31, 1990 amounted to $7,356,000 ($7,808,000 in 1989).

NOTE 5. NET LONG TERM DEBT

a. The balance of net long term debt reported on the Consolidated Balance Sheet is comprised of (in thousands):

	1990	1989
Long term debt issued by the Region	$438,970	$468,964
Long term debt issued by area municipalities and assumed by the Region	6,384	7,297
Total gross long term debt	445,354	476,261
Less total value of the Sinking Fund which has been accumulated to the end of the year to retire outstanding long term debt	101,243	88,571
Total net long term debt	344,111	387,690
Less net long term debt recoverable from area municipalities and school boards	139,623	160,962
Net long term debt for Regional purposes only	$204,488	$226,728

b. Principal payments including contributions to the Sinking Fund and interest charges for 1991 and future years are (in thousands):

	Principal	Interest	Total
1991	$20,342	$28,898	$49,240
1992	21,331	26,962	48,293
1993	20,096	25,571	45,667
1994	18,504	21,721	40,225
1995	17,117	17,078	34,195
1996-2000	55,583	57,020	112,603
2001 and thereafter	19,183	53,770	72,953
	$172,156	**$231,020**	**$403,176**
These charges will be paid from:			
General municipal operations	$143,072	$210,743	$353,815
Water operations	17,135	13,783	30,918
OC Transpo operations	11,949	6,494	18,443
	$172,156	**$231,020**	**$403,176**

In addition, it is estimated that total interest to be earned by the Sinking Fund will amount to approximately $32,332,000 which will be used to retire sinking fund debenture debt commitments at maturity.

c. Included in net long term debt on the Consolidated Balance Sheet is an amount of $41,490,000 ($50,208,000 in 1989) representing the Canadian dollar equivalent of debt payable in U.S. dollars translated at the rate of exchange prevailing at December 31, 1990.

In addition, long term debt payable in U.S. currency for area municipality purposes (reported in note 5(a)) and recorded in Canadian dollars at the rate of exchange prevailing at December 31, 1990, amounts to Cdn. $20,094,000 as at December 31, 1990 (Cdn. $24,636,000 in 1989).

As at December 31, 1990, the Region has a Debenture Currency Exchange Reserve Fund in the amount of $7,476,000 ($7,849,000 in 1989) a portion of which is used each year to offset foreign exchange costs of the Region.

d. The Region has exclusive authority to issue debentures for the purpose of financing its own projects and those of the area municipalities. All such debentures are direct, joint and several obligations of the Region and area municipalities. In addition, provincial legislation permits the Region to issue debentures for purposes of school boards within Regional boundaries.

The Region is therefore contingently liable for long term debt for which the responsibility for the payment of principal and interest has been assumed by the area municipalities and school boards. The total outstanding as at December 31, 1990 is $139,623,000 ($160,962,000 in 1989) and is not recorded on the Consolidated Balance Sheet.

NOTE 6. CHARGES FOR NET LONG TERM DEBT (REGIONAL PURPOSES)

Total charges for the year for net long term debt which are reported on the Consolidated Statement of Operations are (in thousands):

	1990	1989
Principal payments including contributions to the Sinking Fund	$21,419	$19,659
Interest	29,809	28,573
	$51,228	$48,232
These charges are paid from:		
General municipal operations	$43,140	$39,929
Water operations	5,529	5,909
OC Transpo operations	2,559	2,394
	$51,228	$48,232

NOTE 7. FUND BALANCES AT END OF THE YEAR

a. The capital operations not yet permanently financed of $106,632,000 ($48,066,000 in 1989) at the end of the year will be financed from the proceeds of long term debt and approval of the Ontario Municipal Board has been obtained.

b. A surplus of $14,953,000 ($10,411,000 in 1989) in the current operations fund was contributed to the following reserve funds as authorized by Council (in thousands):

	1990	1989
Levy Generated		
Capital expenditures		
General	$210	$1,563
Sewer		229
Transit		298
Levy stabilization — day care	741	215
Rate Generated		
Capital expenditures		
Water		786
Landfill	7,373	
Rate stabilization — sewer	6,629	7,320
	$14,953	$10,411

NOTE 8. CONTINGENT LIABILITIES

a. A number of major landlords within the Region have instituted an action appealing the method used in calculating the assessment of multi-unit dwellings. The County Court has reversed a decision of the Assessment Review Court and has ruled in favour of the appellants but the decision is being appealed to the Ontario Municipal Board. Due to the degree of uncertainty in establishing the validity and the quantum of the claims, no provision has been recognized in the accounts of the Region.

b. The Region has other outstanding litigation and claims in dispute as at December 31, 1990, the settlement of which is not expected to have any material effect upon the current operations of the Region and accordingly, no provision has been made in the accounts.

NOTE 9. NON-ACCRUAL OF INTEREST ON LONG TERM DEBT

No provision has been made in the consolidated financial statements for the accrual of interest on net long term debt. Had this provision been made for the first time in 1990, there would have been an additional charge of $7,424,000 ($7,768,000 in 1989). There would have been no change in the fund balance for current operations as this additional amount would have been levied in the year of change.

NOTE 10. COMMITMENTS

a. The Region has commitments with respect to outstanding contracts on capital projects at December 31, 1990 in the amount of $193,425,000 ($121,912,000 in 1989).

b. The Region is also committed to the following payments over the next five years under various lease agreements (in thousands):

1991	$1,310
1992	1,204
1993	906
1994	411
1995	79

NOTE 11. BUDGET FIGURES NOT PROVIDED

Budgets established for Capital Funds, Reserves and Reserve Funds are project oriented. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been shown on the Consolidated Statement of Operations.

NOTE 12. PUBLIC LIABILITY INSURANCE

a. The Region is self-insured for public liability claims up to $50,000 per single occurrence. Outside coverage up to $10,000,000 is in place for claims in excess of these limits.

The Region has a reserve fund for self-insurance which at December 31, 1990 amounted to $1,857,000 ($1,024,000 in 1989) and is reported on the Consolidated Balance Sheet. The provision for the year of $100,000 ($200,000 in 1989) has been reported as an expenditure on the Consolidated Statement of Operations.

b. O.C. Transpo is self-insured for public liability claims up to $2,000,000 for any individual claim and $2,000,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits up to a maximum of $5,000,000.

O.C. Transpo has a reserve fund for self-insurance which at December 31, 1990 amounted to $1,647,000 ($1,803,000 in 1989) and is reported on the Consolidated Balance Sheet. O.C. Transpo plans to fund the reserve to an amount of $2,000,000.

NOTE 13. PRIOR PERIOD ADJUSTMENTS

As a result of funding limitations imposed by the Province of Ontario, a subsidy of $690,000 recorded by the Region in 1989 had to be repaid to the Province in 1990.

In July 1989, the Region implemented a Job Evaluation plan for its employees. A majority of the evaluations were appealed and settled in 1990 resulting in additional costs to the Region for 1989 of $2,819,000 (less a related provincial subsidy of $192,000) and for 1988 and 1987 of $1,361,000.

The Region has recorded the above changes as prior period adjustments. In the Consolidated Statement of Operations, the additional expenditures in 1989 of $2,819,000, plus the net reduction of provincial subsidies of $498,000, have been offset by a transfer from reserve funds of $3,317,000. Similarly, the additional expenditures in 1988 and 1987 of $1,361,000 have been offset by a transfer from reserve funds of $1,361,000.

The effect of these changes on the Consolidated Balance Sheet as at December 31, 1989 is as follows (in thousands):

	Originally Reported	Restated	Net Effect
	$	$	$
Assets			
Unrestricted			
Accounts receivable — Ontario	65,582	65,084	(498)
Restricted			
Loans receivable	76,503	71,825	(4,678)
			(5,176)
Liabilities and Fund Balances			
Accounts payable	67,959	72,139	4,180
Loans from reserve funds	76,503	71,825	(4,678)
Reserve funds	183,445	178,767	(4,678)
			(5,176)

NOTE 14. SUBSEQUENT EVENT

Subsequent to December 31, 1990, twenty-year sinking fund debentures dated February 28, 1991 in the amount of $100,000,000 were issued as authorized by By-law 33 of 1991. The issue included $80,000,000 for Regional purposes and the balance amounting to $20,000,000 was issued on behalf of The Corporation of the City of Ottawa.

AUDITORS' REPORT

ERNST & YOUNG

To the Chairman and Members of Council of
The Regional Municipality of Ottawa-Carleton

We have audited the balance sheet of the Homes for the Aged Trust Funds as at December 31, 1990 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Homes for the Aged management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Homes for the Aged Trust Funds derive deposits from residents the completeness of which is not susceptible to conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded receipts might be necessary to deposits from residents and to the balances of cash and due to residents at the end of the year.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of deposits from residents referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Homes for the Aged Trust Funds as at December 31, 1990 and the continuity of trust funds for the year then ended in accordance with the accounting principles described in the note to the financial statements.

Ernst & Young

Ottawa, Canada,
April 19, 1991.

Chartered Accountants

HOMES FOR THE AGED TRUST FUNDS

Year ended December 31, 1990

STATEMENT OF CONTINUITY

	Island Lodge	Carleton Lodge	Centre D'accueil Champlain	1990 Total	1989 Total
Balance at beginning of year	$1,236,436	$331,749	$121,262	$1,689,447	$1,595,384
Deposits from residents	635,019	326,906	208,333	1,170,258	1,168,239
Interest earned	133,561	40,392	11,242	185,195	169,061
	2,005,016	699,047	340,837	3,044,900	2,932,684
Payments to or on behalf of residents	1,002,075	258,208	235,623	1,495,906	1,243,237
Balance at end of year	**$1,002,941**	**$440,839**	**$105,214**	**$1,548,994**	**$1,689,447**

As at December 31, 1990

BALANCE SHEET

Assets					
Cash	$1,002,941	$440,839	$105,214	$1,548,994	$1,689,447
Liabilities					
Due to residents	$1,002,941	$440,839	$105,214	$1,548,994	$1,689,447

(See accompanying note to financial statements.)

NOTE TO FINANCIAL STATEMENTS

December 31, 1990

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Homes for the Aged Trust Funds of The Regional Municipality of Ottawa-Carleton have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed for Ontario municipalities and on a basis consistent with the preceding year. The following is a summary of the significant accounting policies of the Homes for the Aged Trust Funds:

a. Deposits from residents and payments to or on behalf of residents are recorded on a cash basis.

b. Interest earned is recorded one month in arrears.

Five-Year Review

(All dollar amounts are in thousands except where indicated)	1990	1989	1988	1987	1986
Statistical Information					
Population	658,789	646,535	634,691	619,839	612,193
Households	269,980	264,627	258,255	250,881	245,052
Regional employees Active	5,311	5,116	4,807	4,630	4,638
Equalized assessment					
Total (millions)	49,800	44,174	40,121	34,226	29,623
Per household	184	167	155	136	121
Current Revenue					
Levies	242,007	214,968	194,390	173,122	155,159
Grants	255,260	204,289	182,738	163,755	142,867
Other	218,564	182,266	146,301	133,585	127,612
Total (note 1)	715,831	601,523	523,429	470,462	425,638
Current Expenditure					
Fiscal	180,489	161,982	126,278	103,431	92,732
Operating	535,646	439,541	397,151	367,294	332,906
Total (note 1)	716,135	601,523	523,429	470,725	425,638
Per household (dollars)	2,653	2,273	2,027	1,876	1,737
Capital Financing					
Subsidies	91,958	85,492	47,794	64,741	42,613
Debentures	4,433	50,000	34,364	559	28,289
Own Funds	112,680	110,177	91,394	41,582	47,543
Other	29	384	328	181	265
Total (note 1)	209,100	246,053	173,880	107,063	118,710
Capital Expenditure					
Transportation	106,492	114,151	87,143	90,816	81,742
Other	161,174	144,837	79,101	54,924	36,567
Total (note 2)	267,666	258,988	166,244	145,740	118,309
Per household (dollars)	991	979	644	581	483
Net Long Term Debt					
Total	204,488	226,728	202,012	193,504	218,423
Per household (dollars)	757	857	782	771	891
% of equalized assessment	0.41	0.51	0.50	0.57	0.74
Capital operations not yet permanently financed	106,632	48,066	35,131	42,768	4,091
Reserves and Reserve Funds	239,472	185,518	158,139	131,165	97,723

Note 1 – Current revenue, current expenditure and capital financing include interfund transfers which are eliminated on the Consolidated Statement of Operations.

Note 2 – Total capital expenditure does not include "Capital operations not yet permanently financed at beginning of year" included in the comparable totals on the Consolidated Statement of Operations.

Note 3 – Statistical information is not subject to audit.